Culligan® ANNUAL REPORT 1970

TO OUR SHAREHOLDERS:

Again this year, as with each consecutive year since 1963, consolidated sales established a new record high.

Sales were $46,060,613, an increase of 11% over the past year.

Earnings, however, were lower. Consolidated earnings were $1,692,715, reflecting a decrease of 39%, and amounted to 3.7% of sales.

Shareholders' equity increased from $18,588,024 for the prior year to $20,210,520 as of April 30, 1970. The book value per share, based on the 3,138,222 shares outstanding, was $6.44.

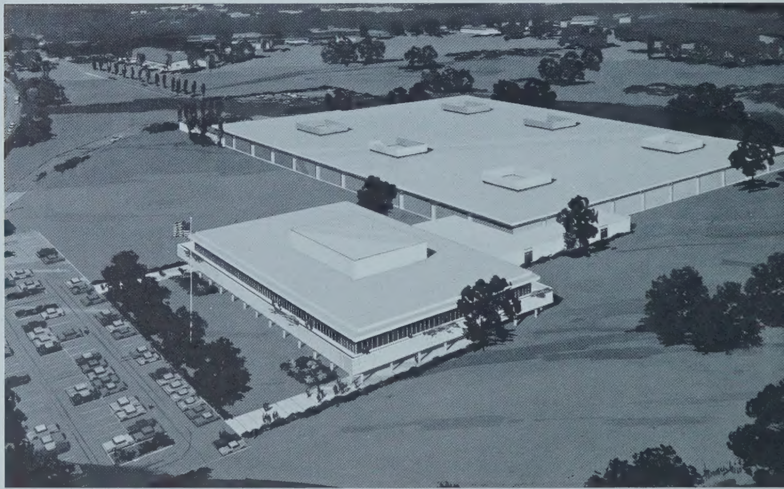
A number of factors contributed to our decline in earnings. Among these were higher selling costs in our U.S.A. operations, reflecting our economy's inflationary spiral accompanied by consumer caution and uncertainty; a loss of 10¢ per share in the Elgin Industrial Systems Division; 26 days of national strikes in Italy which affected sales and profits of our Italian subsidiary; the

Culligan® Financial Highlights

	Year Ended April 30,	
	1970	1969
Net Sales and Rental Revenue	$46,060,613	$41,492,702
Income Before Income Taxes	3,653,215	5,465,637
Net Income	1,692,715	2,786,637
Earnings Per Share	.54	.90
Working Capital	9,276,898	8,734,849
Current Ratio	1.74 to 1	2.15 to 1
Shareholders' Equity	20,210,520	18,588,024
Total Shares Outstanding	3,138,222	3,103,429
Number of Shareholders	4,614	3,945

1969 Restated for Pooling of Interests.

GENERAL COUNSEL Pollak & Welsh, Chicago
AUDITORS Arthur Andersen & Co., Chicago
STOCK TRANSFER AGENTS
Continental Illinois National Bank & Trust Company of Chicago—First National City Bank, New York
REGISTRARS OF STOCK
Harris Trust and Savings Bank, Chicago—Chase Manhattan Bank, New York
LISTING New York Stock Exchange



Our new International Headquarters in Northbrook, Illinois, is very nearly completed. Dedication ceremonies will take place on November 5, at the time of our World Convention of dealers and licensees.

11.1% devaluation in France, which resulted in lower budgeted sales and greater costs; and the start up of our subsidiary distributorship in Switzerland, which operated at a loss.

During the year, the functions performed by our Elgin Industrial Systems Division were integrated with our Culligan U.S.A. operations.

Our factory in Elgin, Illinois, was favorably sold in June, 1970, and production has been consolidated into our Northbrook plant.

We expect that these and other changes in our industrial systems program should result in better customer service; valuable additional income for Culligan dealers; and improved sales and earnings for the Company.

Culligan has been mindful of the implications of water pollution, and in recent years has become more and more aggressively involved in products and systems for pollution control.

Detergent pollution is caused by washing products which contain phosphates. In May of this year, we introduced a phosphate-free laundry soap for use with softened water—a washing combination which avoids detergent pollution.

Further, we are engaged in contract research regarding specific areas of waste water treatment. Operating under the Federal Water Quality Administration Contract No. 14-12-599, we are evaluating various exchange techniques for the tertiary treatment of municipal sewage wastes, and we are in the final stages of negotiation for an additional contract to evaluate ion exchange processes for the treatment of acid mine wastes.

Our Research and Development budget has again been increased, with particular emphasis directed in three areas. These are product improvement and new product development; studies of new materials and manufacturing methods; and reverse osmosis

Board of Directors

standing

WILLIAM B. GRAHAM
Director

JAMES J. GERAGHTY
Director

seated

JOHN A. GAVIN
Executive Vice President

HAROLD F. WERHANE
President

DONALD L. PORTH
Executive Vice President

SAMUEL R. MAROTTA
Executive Vice President

THOMAS E. CULLIGAN
Director

membrane process development.

The latter is highly regarded in its capability to meet the increasing quality water needs of the medical field and the electronics industry.

Our new International Headquarters complex, located on 42 acres at the Northbrook Interchange of the Illinois Tollway, is now being occupied. By early Fall, our offices, laboratories, manufacturing, and warehousing will be coordinated at one location.

We expect that this consolidation will contribute importantly to operational efficiencies and economies.

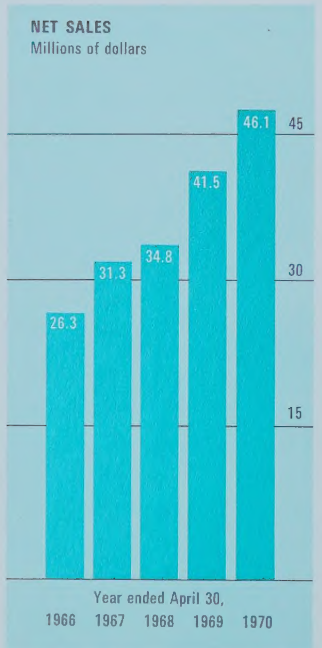
On June 1, 1970, Culligan acquired 70% of the shares of Ingenjorsfirman TEKO AB, based in Stockholm, Sweden.

TEKO, the Culligan licensee in Sweden since 1959, enjoys a highly regarded position in the household, commercial-industrial, and swimming pool water treatment fields. Branch offices are situated in Uppsala, Malmo, and Goteborg.

The firm was renamed Culligan TEKO AB, and its outstanding management team will be retained.

The world-wide need for water treatment has continued in its acceleration, and during the year Culligan commenced marketing in 14 additional countries, for a total of 85.

In November, we will conduct a World Convention of Culligan dealers and licensees in Chicago. It is expected that more than 2,500 people will be in attendance. The delegates will visit our new International Headquarters and will be present for the dedication ceremonies.



The Culligan System lost a great leader and a great humanitarian with the death of its founder, Emmett J. Culligan, on June 3, 1970, in San Bernardino, California, at age 77.

Mr. Culligan was a most appropriate recipient of the Horatio Alger Award.

He established our Company, in Northbrook, with $50 and the heartfelt conviction that the need for conditioned water was the foundation of a business enterprise which could provide desirable benefits for mankind.

Mr. Culligan served as our President until 1950, and was Chairman of the Board until 1965, when he retired from active participation in the Company.

We acknowledge with gratitude the continued support of our shareholders, the cooperation of our suppliers, and the dedicated loyalty of our dealers, licensees, and employees.

It is with enthusiasm and unbounded optimism that we of Culligan look to the future.

Sincerely yours,

Harold F. Werhane, *President*

July 22, 1970

10 Year Financial Summary

Year Ended April 30,	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961
FINANCIAL (in thousands):										
Net Sales and Rental Revenue	$46,061	$41,493	$34,761	$31,264	$26,337	$22,489	$17,327	$13,615	$10,884	$11,160
Income Taxes	1,961	2,679	2,354	2,080	1,670	1,453	1,163	876	501	583
Net Income	1,693	2,787	2,435	2,205	1,831	1,534	1,179	730	536	509
Depreciation and Amortization	1,962	1,463	1,266	1,079	854	738	597	535	522	482
Capital Expenditures	5,912	4,335	1,845	1,213	2,479	1,439	1,701	1,020	725	646
Working Capital	9,277	8,735	9,501	8,617	7,564	3,872	2,913	3,049	3,371	3,555
Long-Term Debt	8,087	3,871	2,714	2,793	3,928	2,512	2,399	1,888	1,802	1,702
Shareholders' Equity	20,211	18,588	16,492	14,334	12,350	8,271	5,991	5,117	4,743	4,486
OTHER:										
Earnings (Per Share)	$ .54	$ .90	$ .80	$ .74	$ .64	$ .59	$ .49	$ .30	$ .22	$ .21
Cash Dividends (Per Share)	.28	.27	.24	.24	.20	.20	.175	.175	.175	.175
Number of Shares Outstanding (thousands)	3,138	3,103	3,062	2,994	2,840	2,586	2,424	2,394	2,392	2,390
Number of Shareholders	4,614	3,945	3,622	3,549	3,308	2,301	1,747	1,804	1,818	1,643

Per share amounts have been adjusted to reflect 100% stock splits in 1964 and 1968. Amounts have been restated to reflect 1968, 1969 and 1970 acquisitions accounted for on a pooling of interests basis in the year of acquisition and the year prior. Dividends per share exclude former Class B common.

INCOME AND RETAINED EARNINGS

	For The Years Ended April 30, 1970	1969
INCOME:		
Net sales and rental revenue	$46,060,613	$41,492,702
Cost and expenses—		
Cost of sales and rental expenses	$25,201,670	$21,923,919
Selling and administrative expenses	16,913,598	14,100,044
Interest—		
Expense	693,564	421,642
Income	(401,434)	(418,540)
	$42,407,398	$36,027,065
Income before income taxes	$ 3,653,215	$ 5,465,637
Provision for income taxes—		
Federal	$ 1,294,400	$ 2,159,800
State	111,700	62,000
Foreign	554,400	457,200
	$ 1,960,500	$ 2,679,000
Net income	$ 1,692,715	$ 2,786,637
Per common share (based on average shares outstanding)	.54	.90
RETAINED EARNINGS:		
Balance beginning of year, as previously reported		$ 8,838,092
Deduct—Restatement for companies added through pooling-of-interests in 1970 (Note 1)		(26,016)
Balance beginning of year, as restated	$10,775,216	$ 8,812,076
Add (deduct)—		
Net income for the year	1,692,715	2,786,637
Cash dividends paid ($.28 per share in 1970 and $.27 per share in 1969, after reflecting two-for-one stock split in 1969)	(873,932)	(823,497)
Balance end of year	$11,593,999	$10,775,216

The accompanying notes are an integral part of these statements.

FUNDS AND CAPITAL SURPLUS

	For The Years Ended April 30, 1970	1969
FUNDS:		
Source of funds:		
Net income	$1,692,715	$2,786,637
Provision for depreciation and amortization—		
Plant and equipment (substantially sum-of-the-years-digits method)	956,535	715,889
Service units (straight-line method)	798,772	606,282
Intangible assets	206,527	141,179
Total from operations	$3,654,549	$4,249,987
Increase in long-term debt and dealers' deposits	4,220,493	916,919
Total source of funds	$7,875,042	$5,166,906
Disposition of funds:		
Additions, net of retirements of $1,213,107 in 1970 and $180,406 in 1969		
Plant and equipment	$5,299,806	$3,233,184
Service units and connections	612,404	1,101,818
Cash dividends paid	873,932	823,497
Increase in receivables due after one year	293,430	175,908
All other, net	253,421	626,282
Total disposition of funds	$7,332,993	$5,960,689
Increase (decrease) in working capital	$ 542,049	$ (793,783)
Working capital, beginning of year	8,734,849	9,528,632
Working capital, end of year	$9,276,898	$8,734,849
CAPITAL SURPLUS:		
Balance beginning of year, as previously reported		$6,123,412
Add—Restatement for companies added through pooling-of-interests in 1970 (Note 1)		116,810
Balance beginning of year, as restated	$4,709,379	$6,240,222
Add (deduct)—		
Amount transferred to common stock to reflect two-for-one stock split in 1969	—	(1,530,843)
Excess of selling price over par value of shares sold to employees under stock option plan (Note 3)	3,550	—
Excess of market value over par value of stock issued in connection with an acquisition (Note 1)	765,370	—
Balance end of year	$5,478,299	$4,709,379

The accompanying notes are an integral part of these statements.

Consolidated Balance Sheet Culligan® Inc. and Subsidiaries

ASSETS	April 30, 1970	April 30, 1969
CURRENT ASSETS:		
Cash	$ 2,284,502	$ 1,580,674
Marketable securities, at cost which approximates market	463,093	396,164
Receivables, less allowances of $558,700 in 1970 and $394,000 in 1969	10,042,122	7,203,496
Inventories, at lower of cost (first in, first out) or market	8,492,756	6,738,091
Prepaid expenses	543,433	420,825
Total current assets	$21,825,906	$16,339,250
PLANT AND EQUIPMENT, at cost (Note 2):		
Land and improvements	$ 1,245,175	$ 1,229,395
Buildings	3,759,497	4,025,592
Machinery and equipment	6,333,820	5,443,004
Construction in process	6,742,594	2,427,836
	$18,081,086	$13,125,827
Less—Accumulated depreciation	4,870,088	4,258,100
	$13,210,998	$ 8,867,727
Service units and connections (provided to customers), net of accumulated depreciation of $3,675,065 in 1970 and $3,372,498 in 1969	2,857,451	3,043,819
	$16,068,449	$11,911,546
OTHER ASSETS:		
Notes and contracts receivable from customers and retentions on customer contracts financed, less unearned finance charges (current portion included above)	$ 1,301,158	$ 1,007,728
Goodwill, franchise rights, etc., at cost, less amortization of $1,186,480 in 1970 and $996,530 in 1969	2,057,664	1,171,828
Other assets	331,058	366,287
	$ 3,689,880	$ 2,545,843
	$41,584,235	$30,796,639

LIABILITIES	April 30, 1970	April 30, 1969
CURRENT LIABILITIES:		
Notes payable and current portion of long-term debt (Note 2)	$ 4,946,906	$ 1,672,070
Accounts payable	3,712,017	2,491,227
Accrued expenses	2,530,506	2,318,805
Income taxes	1,074,327	906,492
Unearned service income	285,252	215,807
Total current liabilities	$12,549,008	$ 7,604,401
LONG-TERM LIABILITIES:		
Long-term debt, less current maturities (Note 2)	$ 8,086,659	$ 3,871,209
Dealers' deposits	738,048	733,005
	$ 8,824,707	$ 4,604,214
SHAREHOLDERS' EQUITY:		
Preferred stock, $5 par value, authorized 100,000 shares (Note 3)	$ —	$ —
Common stock, $1 par value, authorized 4,000,000 shares, outstanding 3,138,222 shares at April 30, 1970 (Note 3)	3,138,222	3,103,429
Capital surplus	5,478,299	4,709,379
Retained earnings (Note 2)	11,593,999	10,775,216
	$20,210,520	$18,588,024
	$41,584,235	$30,796,639

The accompanying notes are an integral part of this statement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS/APRIL 30, 1970

(1) PRINCIPLES OF CONSOLIDATION:

The accompanying consolidated financial statements include all subsidiaries of the company.

The financial statements of the foreign subsidiaries included in the consolidated financial statements have been translated to United States dollars at the applicable current rates of exchange. Assets and revenues of the foreign subsidiaries included in the consolidated financial statements are as follows:

	1970	1969
Assets	$13,523,000	$8,229,000
Revenues	14,354,000	9,142,000

In relation to sales, the contribution of foreign operations to consolidated net earnings does not differ materially from the contribution of domestic operations. In 1970, the previous practice of currently providing for the estimated United States taxes payable in the future on undistributed earnings of foreign subsidiairies was discontinued; the effect of this change was to increase net income by $56,000 for 1970.

In 1970, the company acquired all of the outstanding capital stock of Culligan Water Conditioning, Inc. (Waukesha, Wisconsin) and all of the net assets of Culligan Soft Water Service of Pittsburgh, Inc., in exchange for 15,738 and 26,005 shares respectively of its previously unissued common stock. These transactions were accounted for as pooling-of-interests. Accordingly, the 1969 financial statements have been restated.

In May 1969, the company acquired 70% of all of the outstanding stock of Culligan Italiana, S.p.A. in exchange for cash of $668,000 and 34,593 shares of its unissued common stock. Also in May 1969, Culligan of Canada, Ltd., a wholly-owned subsidiary, acquired all of the outstanding shares of Soft Water Supply Limited for $495,000 payable in cash and notes. These two acquisitions were accounted for as purchases. Commencing with these acquisitions, the company is amortizing goodwill over a forty year period as compared with a ten year period for prior acquisitions. The effect of this change was to increase net income by $91,000 for 1970.

Subsequent to April 30, 1970, the company acquired 70% of all the outstanding stock of Culligan Teko AB in exchange for 3,182 shares of its unissued common stock and cash of $210,000. This acquisition is to be accounted for as a purchase.

The agreements for the acquisitions of Culligan Italiana, S.p.A. and Culligan Teko AB provide for an unspecified number of common shares to be issued in the future, to be based on the earnings of these companies and the market value of Culligan's common stock.

(2) FINANCING ARRANGEMENTS:

As of April 30, 1970, notes, loans and purchase contracts payable by the company and certain subsidiaries are summarized below:

	Current Interest Rates	Current	Long-Term
Notes payable to banks, primarily foreign notes	7½% to 10⅜%	$3,288,505	$ 704,924
Notes payable to two banks for interim construction financing	8¼% to 8¾%	125,000	4,600,000
Chattel mortgages and installment loans of consumer operations, due in varying amounts to 1985	5¼% to 9.3%	423,844	2,008,885
Other, final payments due from 1970 to 1978	5¼% to 8¼%	1,109,557	772,850
		$4,946,906	$8,086,659

The notes payable to banks include a $670,000 note due May 1, 1970, under a Eurodollar revolving credit agreement whereby the existing note and any renewals may be further renewed for periods of three to six months until May 1, 1974. The existing note has been renewed for a period of three months and it is the intention of management to continue to renew notes under the revolving credit agreement; accordingly, the existing note has been classified as a long-term liability in the April 30, 1970, consolidated balance sheet. The interest rate fluctuates with the foreign prime rate as defined in the agreement.

The company has entered into an agreement whereby it may borrow $5,000,000 from an insurance company under a 6⅜% mortgage note due $62,500 quarterly for a period of 20 years from the closing date. The proceeds will be used to repay the notes payable to two banks for interim construction financing of the new international headquarters, research laboratory and manufacturing facility in Northbrook, Illinois, which is presently under construction. The agreement covering the 6⅜% mortgage note provides, among other things, that working capital will not be less than $5,000,000 and that dividends paid and purchases of the company's stock after April 30, 1968, shall not exceed 60% of the cumulative amount of net income after that date; at April 30, 1970, $10,603,817 of retained earnings would not have been available for the payment of dividends or purchases of the company's stock under the provisions of this agreement. The notes payable to the two banks for interim construction financing contain covenants which are less restrictive than those described under the 6⅜% note. The two bank notes are due October 31, 1970; however, as they will be repaid from the proceeds of the insurance company mortgage note, the bank notes have been classified as long-term liabilities as of April 30, 1970, except for the first two quarterly payments required under the mortgage notes, which are due prior to April 30, 1971.

The total book value of assets subject to mortgages and purchase contracts approximates $3,200,000. In addition, intangible assets including capital stock and franchise rights of certain consumer subsidiaries are collateral for certain of the loans.

The companies have sold approximately $2,100,000 of contracts receivable which are outstanding at April 30, 1970. The companies have an obligation to repurchase these contracts in the event payments become past due.

Certain consumer and other locations are held under leases expiring at various dates through 1980. Current annual rentals under these leases total approximately $220,000 and the remaining aggregate commitments were approximately $900,000 at April 30, 1970.

(3) CAPITAL STOCK:

The Board of Directors is authorized to fix by resolution the designation of each series, dividend rate, preferences, voting rights, convertibility, etc., of the company's unissued $5.00 par value preferred stock.

Transactions in the common stock account for 1970 are summarized as follows:

Shares outstanding April 30, 1969	3,061,686
Issued under stock option plan	200
Issued in acquisitions (Note 1)	76,336
Shares outstanding April 30, 1970	3,138,222

Reference is made to Note 1 for stock issued subsequent to April 30, 1970, in connection with an acquisition and for additional stock to be issued in the future for this and a prior acquisition.

As of April 30, 1970, 119,800 shares of the company's common stock were reserved for issuance to officers and key employees under a qualified stock option plan. Options are granted at prices not less than the fair market value at date of grant; options become exercisable one year from the date of grant and expire five years from date of grant. As of April 30, 1970, options for 62,800 shares were outstanding at prices ranging from $18.75 to $26.00 per share and during the year options for 200 shares were exercised at $18.75 per share. There were no options granted in 1970.

(4) PENSION PLANS:

The company and its subsidiaries have pension plans covering substantially all of their employees including certain employees in foreign countries. Total pension expense, which is funded by the companies, was $223,000 in 1970 and $254,000 in 1969. At April 30, 1970, the assets of the pension trusts exceeded the actuarially computed value of vested benefits.

Auditors' Report

To the Shareholders of Culligan, Inc.:

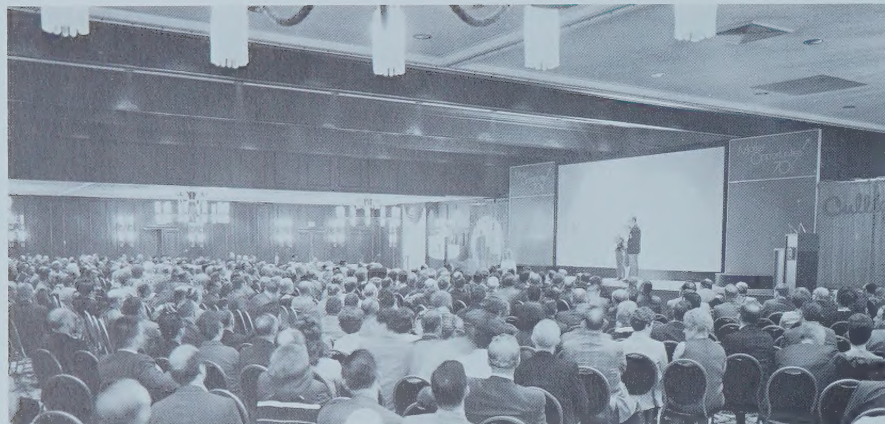
We have examined the consolidated balance sheet of CULLIGAN, INC. (a Delaware Corporation) AND SUBSIDIARIES as of April 30, 1970, and the related consolidated statements of income, retained earnings, capital surplus and funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have previously examined and reported on the financial statements for the preceding year.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Culligan, Inc. and Subsidiaries as of April 30, 1970, and the results of their operations and the source and disposition of funds for the year then ended, in conformity with generally accepted accounting principles which, other than for the changes in accounting practices for goodwill and taxes on undistributed earnings of foreign subsidiaries described in Note (1) to the consolidated financial statements, were applied on a basis consistent with that of the preceding year.

Chicago, Illinois,
June 19, 1970.

Arthur Andersen & Co.

Culligan USA Distributes Through



Our annual three-day conventions were held in Chicago, Los Angeles, and Washington, D.C. The sessions were attended by almost 2,000 dealer organization people.

Our franchised dealers, nearly 1,000 of them, devote their full time efforts to providing better water for the households and businesses in their market areas.

The Company's function is to support its dealers through research and development, manufacturing, operational techniques, and merchandising programs.

Regional and district managers, product engineers, sales trainers, and home office personnel provide direct assistance and guidance.

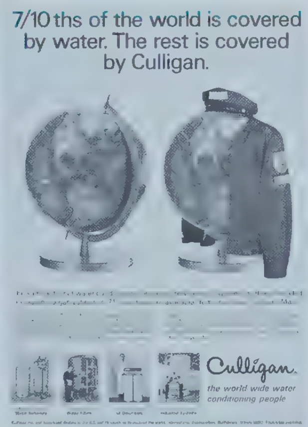
Award-winning advertising, sales promotion, and public relations activities play a major role in furthering the public's confidence in Culligan products and services.

As the result of their effective performance, combined with the Company's continuing support, Culligan dealers are generally regarded as the leading water conditioning specialists in their communities.

The Company strives to have local dealerships be attractive, well located, well identified places of business —such as this operation in Olathe, Kansas.

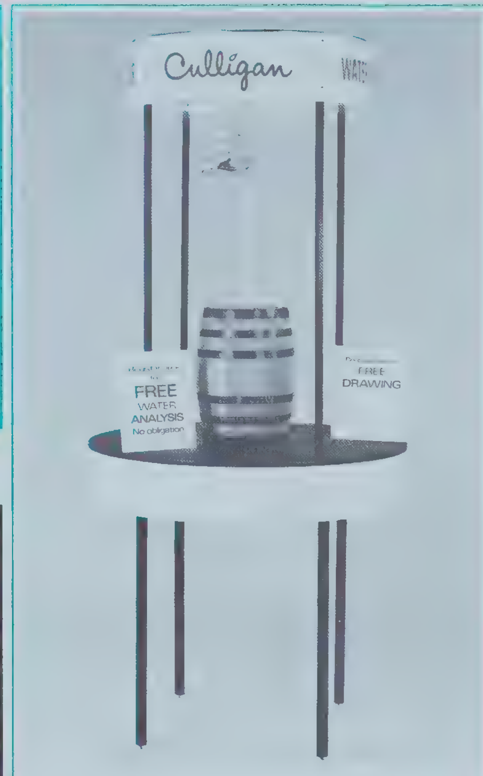
Dealers' service and installation trucks, in our standard two-tone blue, red, and white, are distinctively Culligan.

Franchised Water Conditioning Dealers

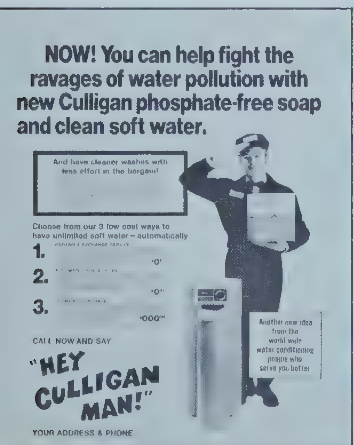


Full-color advertisements, describing the benefits of conditioned water, appear in leading consumer publications. A business magazine campaign features Culligan's water treatment capabilities.

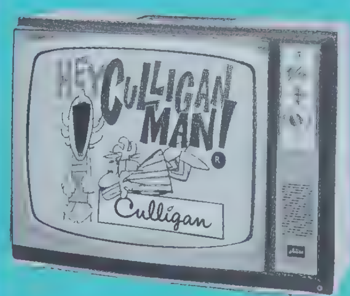
The changing illustrations in this motion display highlight the advantages offered by our household appliance line.



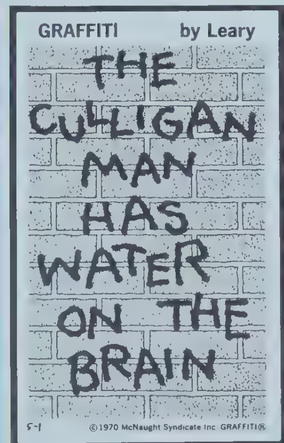
Our "mystery faucet" running water display recently received a First Place Award from the Point-of-Purchase Association International.



A comprehensive selection of newspaper ads are available to dealers for local use.



"Hey Culligan Man!" television and radio commercials have achieved outstanding consumer responsiveness.



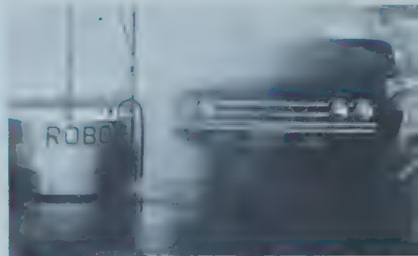
This syndicated cartoon appeared in 350 newspapers —demonstrates recognition of the Culligan brand name.

Culligan USA Dealers Condition Water for Residentia

Soft Water Service. Dealer owns portable unit, exchanges it on scheduled basis, and charges monthly service fee.

Ultra-Cleer® Conditioner is all-purpose problem solver. Automatically corrects hardness, rust, bad taste, odor, acidity.

Dealers campaign to help alleviate the ravages of detergent pollution by promoting the use of Culligan phosphate-free laundry soap and softened water.



Car washes require conditioned water in order to produce gleaming, spot-free results.

For commercial dishwashing, softened water improves operations and provides economies.

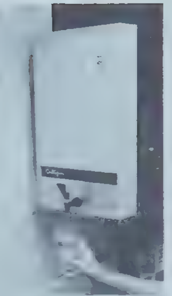
Fairway-Trace complex near Chicago features conditioned water for apartments, boilers, laundry.

Commercial, Industrial, Institutional Markets

Culligan portable deionizers produce extremely high quality water. Here, this water is used to rinse critical semiconductor devices at the Varo, Inc. facility in Garland, Texas.

Our mobile plant-laboratory is engaged in study of tertiary treatment of municipal waste water at Elgin, Illinois, under research contract from Federal Water Quality Administration.

New Aqua Cleer® commercial-industrial reverse osmosis unit delivers 1,000 gallons of purified water per day. Aqua I household model produces up to 6 gallons daily. These products remove suspended and dissolved, organic and inorganic pollutants.



Reverse osmosis system at this State of Iowa rest stop converts brackish water to potable supply.

Culligan reverse osmosis installation for manufacturer of aircraft panels provides 20,000 gallons of prime quality water per day.

Everpure

Based in Oak Brook, Illinois, this subsidiary continued its expansion in products and small point-of-use water treatment applications.

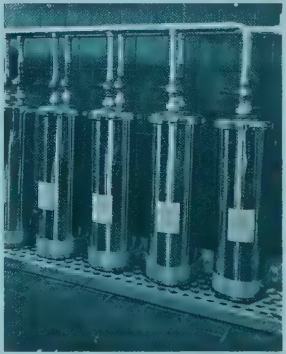
The successful introduction of a new water purifier for coin-operated beverage vending machines culminated five years of development.

Two new markets which show substantial promise for profitable growth are the recreational vehicle industry and the franchised fast food business.

Everpure filters will service the seven lavatories and three galleys aboard the new DC-10, now under construction.

Immediate acceptance of new QC4 Purifier by vending machine manufacturers reaffirmed Everpure's 35 year reputation for product performance.

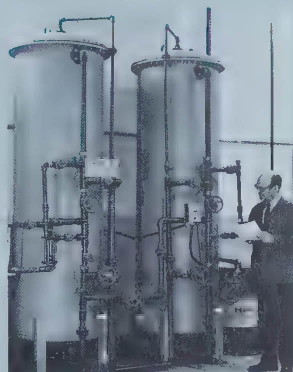
Motor homes and travel trailers are two types of recreational vehicles in which Everpure systems are being factory installed.



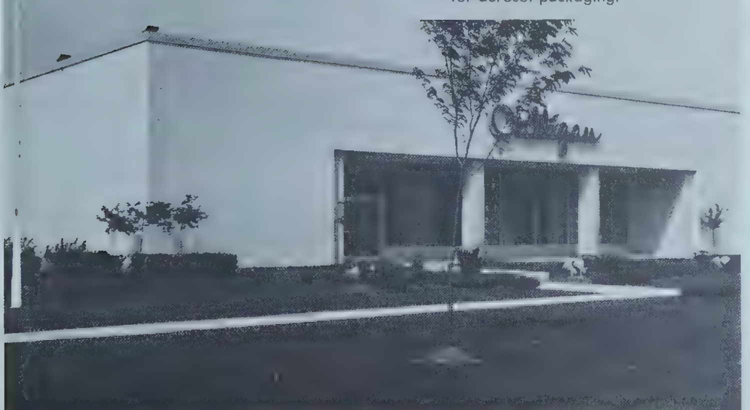
Installation at the Howard Johnson Commissary, Brockton, Mass.

Culligan of Canada

This subsidiary manufactures, assembles, and serves as headquarters for our franchised dealers in Canada. It is located in Mississauga, Ontario, a suburb of Toronto.



Two-bed deionization system supplies mineral-free water for aerosol packaging.



Culligan Mexicana

Situated in Mexico City, this subsidiary's emphasis is on water quality improvement. Installations for restaurants, hotels, factories, and institutions are in operation throughout the Republic.

Our display at the Hotel-Motel trade show in Monterrey.

Throughout Mexico, the Sanborns and Denny's restaurant chains use Culligan conditioned water.

Culligan S.A.

Diegem, Belgium

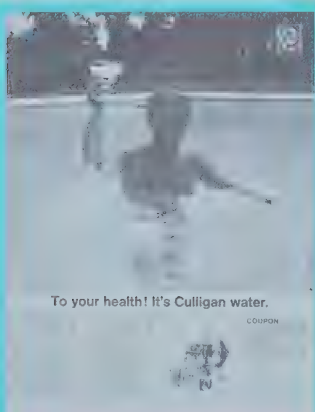
This subsidiary is a basic manufacturer of household, industrial, and swimming pool water treatment products for distribution in Europe, Africa, the Middle and Far East.

The plant incorporates complete facilities for testing and production of automatic control valves, chemical solution feeders, filters, and other equipment. Both metal and plastic components are fabricated here.

The first section of this factory was completed in 1964 and has been quadrupled in size since then.

Licensees and personnel from 30 countries attended our 9th Annual International Convention held in Athens last November.

Diegem factory has more than 82,000 square feet of space devoted to manufacturing operations.



Multinational advertising campaign appears in magazines throughout Culligan S.A. marketing areas.

Culligan Italiana

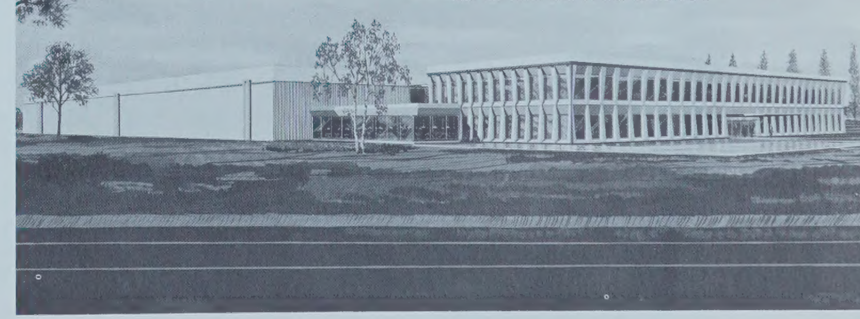
Specializing in large industrial equipment, Culligan Italiana manufactures ion exchangers, filters, and custom engineered treatment systems. A 14,200 square foot factory addition was completed during the year. This efficient operation is situated in Cadriano, a suburb of Bologna.

In addition to manufacturing, this subsidiary is responsible for distribution in Italy. The showroom, inset, is in Milan.

Culligan France

Architect's sketch of proposed new Culligan France headquarters to be erected on an autoroute near Paris. From its present facility at Les Clayes-sous-Bois, this subsidiary functions as the marketing and distribution center for dealers in that country.

These dramatic and effective exhibits in Paris were on display at the Salon Des Arts Menagers (left), and the Man and Water Exhibition.



Culligan TEKO

Our newest subsidiary, Culligan TEKO, is based in Stockholm and has branch offices in Malmo, Goteborg, and Uppsala. Established in 1959, this organization enjoys an enviable position in the residential, commercial, and diversified water treatment fields in Sweden.

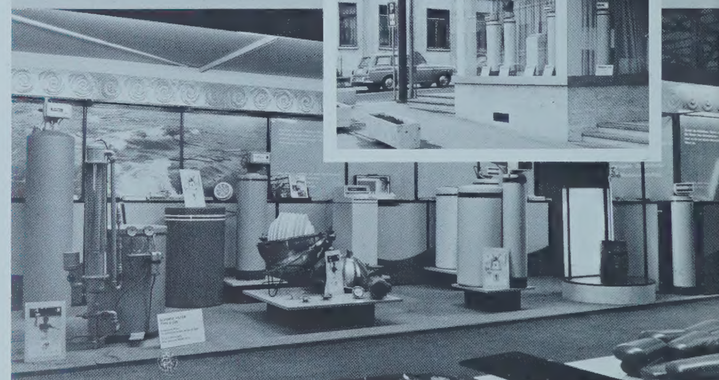
Large commercial filters purify the water for Eastman Kodak photographic processing laboratory.

Skid-mounted filtration unit for treatment of municipal swimming pool water.

Culligan Switzerland

Through its home office and warehouse in Lausanne, and branches in Berne, Sion, and Zurich, this subsidiary supervises our distribution for all of Switzerland. Plumbing contractors are a significant factor in our Swiss marketing activities.

Branch office and showroom, Sion.

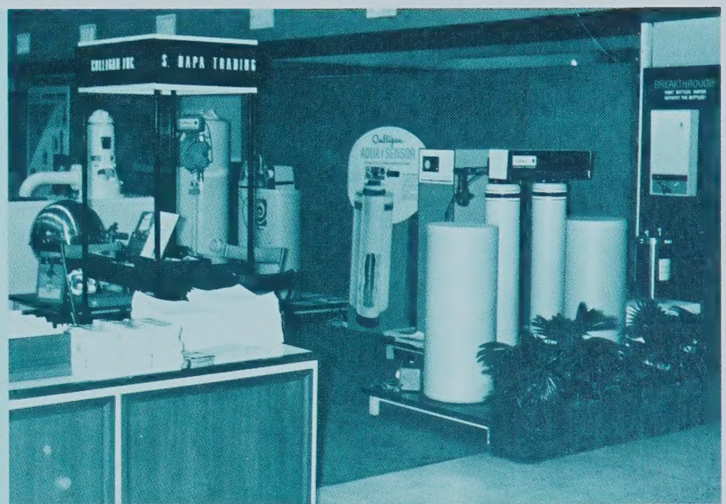


Comprehensive product line display was featured at exhibition in Berne.

Culligan in the Pacific and Far East

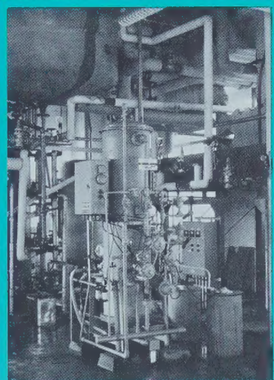
We are represented by licensed distributors in 15 countries. Major markets are industrial water treatment, water purification, and swimming pool filtration equipment.

Technical seminar conducted for licensee personnel in Japan and Okinawa.



Our display in the water sanitation exhibit at U.S. Trade Center, Bangkok.

Product and marketing conference, Thailand.



Deionizer system installation in Tokyo.

New offices and showrooms, Okinawa, were inaugurated at an open house.

Manufacturing Facilities

Northbrook, Illinois—International Headquarters
San Bernardino, California
Cadriano, Italy
Diegem, Belgium
Mexico City, Mexico
Oak Brook, Illinois
Sheridan Park, Mississauga, Ontario, Canada

Principal Subsidiaries and Divisions

Culligan U.S. Division
Culligan Consumer Division
Culligan S.A., Belgium
Culligan of Canada, Ltd.
Culligan France S.A.
Culligan Italiana S.p.A.
Culligan Mexicana, S.A. de C.V.
Culligan Switzerland S.A.
Culligan TEKO A B, Sweden
CWC Finance Corp.
Everpure, Inc.

Culligan® THE WORLD-WIDE WATER CONDITIONING PEOPLE

No. 8305-43 Ptd. in U.S.A.